

November 8, 2022

Director Sandra Thompson
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

Michael DeVito
Chief Operating Officer
Freddie Mac
8200 Jones Branch Dr.
McLean, VA 22102

**Request for Immediate Investigation into Predatory Practices of
Federally-Funded Entity, the CIM Group**

Dear Director Thompson and Mr. DeVito,

I hope this letter finds you well. My name is Sosseh Prom, and I am the State Policy Manager at African Communities Together (ACT). ACT is a national nonprofit dedicated towards improving the lives of African immigrants in the United States, and empowers African immigrants to integrate socially, advance economically and engage civically. In this role, we support the tenants of Southern Towers, who find themselves currently being displaced by a private equity company, the CIM Group. Southern Towers is a five-building apartment complex in Alexandria, Virginia, and has been home to thousands of hardworking blue-collar families seeking a better life.

In 2020, CIM obtained a \$346 million federal loan guarantee from Freddie Mac to aid in purchasing two (2) out of the five (5) high-rise apartment buildings that make up Southern Towers.¹² Since CIM's acquisition of Southern Towers, African-immigrant tenants have fallen victim to unaffordable rent increases and predatory practices that run contrary to Freddie Mac's purpose of creating and supporting long-term preservation of affordable housing.³ Black residents disproportionately experience homelessness in the U.S., and make up 40% of the homeless population despite only accounting for 13% of the U.S. population.⁴ CIM's actions are currently disproportionately displacing African tenants and are only adding to these bleak

¹ These two buildings are commonly known as the "Ashlawn" and the "Monticello". The Ashlawn is located at 4921 Seminary Rd., Alexandria, VA 22311, and the Monticello is located at 5055 Seminary Rd., Alexandria, VA 22311

² African Communities Together (2021). *Invested in Evictions: CIM Group, Southern Towers, and the Crisis of Publicly-Financed Displacement*, p. 14.

https://drive.google.com/file/d/1hu2OWMdOWik_RT0J1gqku0ML9LQv2chb/view

³ Freddie Mac. (2022). *Freddie Mac Duty to Serve Underserved Markets Plan (2022 - 2024)*, p. AHP1. Retrieved November 8, 2022, from

<https://www.freddiemac.com/about/duty-to-serve/docs/Freddie-Mac-Duty-to-Serve-Underserved-Markets-Plan.pdf>

⁴ DuBois, H. (2022, March 5). *Demographics and Statistics of the Homelessness Crisis in America*. Father Joe's Villages. <https://my.neighbor.org/demographics-statistics-homelessness/>

statistics. We wish to bring these actions to your attention because we believe FHFA and Freddie Mac should immediately conduct a thorough investigation into CIM, their business practices, and the destruction of existing affordable housing at Southern Towers that came about with financial support from Freddie Mac.

Insufficient 30-day Notices

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law.⁵ Among other protections, the CARES Act included a clear requirement that in the event of an eviction, landlords of covered dwelling units must provide tenants with a 30-day notice to vacate.⁶ As the recipient of a federally backed multifamily mortgage loan from Freddie Mac, while the CARES Act was in effect, CIM was legally obligated to fulfill this requirement when seeking to evict tenants residing in the two Southern Towers buildings that are covered properties.⁷ However, the notices provided to tenants were grossly insufficient to adequately inform tenants of their right to a 30-day notice, and therefore violate the CARES Act.

Each eviction notice for nonpayment of rent that was provided to tenants in covered properties at Southern Towers begins with the subheading, “**5-Day** Notice to Pay Rent or, Alternatively, to Terminate Lease and Vacate Premises” [emphasis added]. After noting the amount due, the notice then continues to read on the first line of the first substantive paragraph, “We intend to terminate your lease unless within **five (5) days** from the date of service of this notice you pay rent in the full amount as noted above.” [emphasis added].

In a two-paragraph notice densely riddled with alarming rhetoric that leads tenants to believe they need to leave, the only mention of a 30-day notice comes up in a single sentence in the middle of the first paragraph, that reads, “However, if the premises is located on or within a “covered property” as that term is defined by section 4024(a) of the CARES Act, then in the event your lease is terminated you shall be required to vacate the premises 30 days from the effective date of service of this notice.” Nowhere in the notice does it state whether the tenant resides on a covered property, or give information as to how a tenant can determine whether they live on a covered property.⁸ It should be noted that African tenants have been subject to dismissive and/or hostile treatment from management staff, which made it even more difficult for them to seek clarity about whether they reside on a covered property or not. Upon receiving such a notice, many tenants have found themselves under the impression that they only have five days to pay the rent owed or leave the premises. Unsurprisingly, this issue is exacerbated for tenants with limited or non-English proficiency - which is the case for many Southern Towers tenants.

CIM also insinuates that tenants only have the right to receive five-day notices during eviction proceedings. In almost all the affidavits submitted to the Alexandria General District Court for

⁵ Coronavirus Aid, Relief, and Economic Security Act, [CARES Act], (2020).

⁶ CARES Act, § 4024(c)(1).

⁷ National Housing Law Project. (2021). *Enforcing the CARES Act 30-Day Eviction Notice Requirement*. <https://www.nhlp.org/wp-content/uploads/Enforcing-CARES-Act-30-Notice.pdf>

⁸ Please see the attached five-day notice that was given to a tenant residing on a covered property. Please note that the notice has been redacted to protect the identity of the tenant.

cases involving nonpayment of rent, CIM states that the tenant party has been given a five-day notice to cure back rent owed or vacate the premises. Nowhere on the affidavits does it mention whether a tenant resides on a covered property and therefore, is guaranteed a 30-day notice.⁹

From the very first action of providing tenants with notice of their impending evictions, to courtroom procedure, CIM has hidden any real notice of a tenant's right to a 30-day notice. We believe this violates CIM's obligation as a landlord financed by Freddie Mac, and is grounds for Freddie Mac to penalize CIM and make CIM's loan(s) immediately payable.

Noncompliance with Virginia's Rent Relief Program (RRP)

In an effort to address the ongoing economic crisis brought on by the COVID-19 pandemic, like most states, the Virginia Rent Relief Program (RRP) was federally funded and designed to support and ensure housing stability. In order for an RRP application to be successful, tenants **and** landlords were required to provide all relevant and requested information, and once an application was approved, Virginia's Department of Housing and Community Development (DHCD) sent the requested rent relief directly to the landlord.¹⁰ In circumstances where a landlord was uncooperative or unresponsive, DHCD sent the requested rent relief to the tenant instead.¹¹ During the pandemic, a large percentage of Southern Towers residents applied for RRP in an attempt to maintain stable housing, and stay current on their rent. However some tenants claim their efforts were stifled by CIM. Households have complained about CIM's failure to provide requested information either in a timely manner, or at all, causing further delays in application processing times. In fact, during a meeting between Southern Towers tenants, CIM representatives, and ACT staff, CIM stated that it appeared that DHCD had modified their process and were giving rent relief payments directly to tenants. Based on this statement, it appears that their noncompliance during the RRP may have been so pervasive, that even their own staff believed DHCD had completely modified their entire distribution process.

We believe a thorough investigation should be conducted into CIM's noncompliance with RRP. Unfortunately, we are unable to obtain information from DHCD regarding CIM's compliance with the program. We believe federal agencies have an interest in understanding to what extent CIM made a good faith effort to keep tenants housed and to preserve affordable rents in keeping with Freddie Mac's stated goals. As such, we urge the FHFA and Freddie Mac to conduct an immediate investigation into CIM's cooperation with the State of Virginia's Rent Relief Program. Should there be a finding that CIM was noncompliant, we ask that Freddie Mac consider making their loan to CIM immediately payable and bar CIM from further participation in Government Sponsored Entity programs.

⁹ Please see the attached affidavit that was filed in an unlawful detainer/eviction case against a Southern Towers tenant. The affidavit has been redacted to protect the identity of the tenant involved in the case.

¹⁰ Virginia Department of Housing and Community Development. (2021). *Virginia Rent Relief Program (RRP) Tenant Application Frequently Asked Questions (FAQs)*. <https://www.dhcd.virginia.gov/rrp-tenant-faqs>

¹¹ Virginia Department of Housing and Community Development. (2021).

Other Examples of Predatory Behavior

In addition to the troubling behavior mentioned above, we are also concerned about other instances of predatory actions from CIM.

1. **Unreasonable rent increases:** Tenants at Southern Towers, like most tenants across the U.S., are struggling to make ends meet with the rising cost of living and stagnant wages. Before the pandemic, most of the African tenants at Southern Towers worked multiple service sector jobs related to the federal government. During the pandemic, tenants lost these jobs and still do not have the same sources of income they once did now that federal offices are primarily remote.¹² During this time of economic uncertainty and with a looming housing crisis, CIM has decided to increase rent to levels that are unaffordable for blue-collar tenants, in direct conflict with Freddie Mac's stated purpose of providing liquidity for affordable housing. CIM claims that their rent increases range between roughly 2% to 5%, but African tenants are seeing rent increases closer to 9% and up. One tenant recently received a lease renewal with a 14.8% rent increase.
2. **Unreasonable pricing practices:** In addition to unaffordable rent increases, CIM has also decided to get rid of the all-inclusive rent that tenants are accustomed to, and is now charging tenants for utilities based on what the tenants believe is an unreasonable pricing scheme. CIM has also increased parking costs and is charging parking fees that are nearly double the parking costs of neighboring properties. With these additional costs and price gouging, blue-collar tenants and their families are unlikely to be able to remain in Southern Towers, as it further destroys affordability for the tenants and their families.
3. **Unresolved mold issues:** Among other maintenance issues, tenants have complained to CIM about leaks and mold that have created unsafe living conditions. CIM has failed to adequately and promptly correct these and other maintenance issues, and tenants are worried about the health impacts of such negligence. One tenant recently informed ACT that their son has developed asthma that they believe is a result of the mold in their apartment.
4. **Unfair relocation practices:** CIM has established a policy that in the event a tenant must be moved to another apartment unit while maintenance or mold remediation is conducted, the tenant shall be moved to a comparable apartment unit. However, if a tenant must be moved to a renovated unit because a comparable unit is not available, the tenant will be responsible for the increase in rent cost. Charging a tenant higher rent for reasons beyond their control (ex. temporary evacuation for mold remediation) is unjust and punitive, and exemplifies CIM's prioritization of profit over human lives.
5. **Unfair leasing practices:** Throughout the pandemic, CIM has forced tenants into month-to-month leases that are excessively costlier than longer term leases, and charged late fees for late rent payments. These actions are inherently predatory because they profit off the vulnerable situation that many blue-collar workers found themselves in during the

¹² U.S. Office of Personnel Management. (n.d.). *Operating Status*. Retrieved November 8, 2022, from <https://www.opm.gov/policy-data-oversight/snow-dismissal-procedures/current-status>

pandemic when they lost their jobs, and placed tenants in a situation where they are incredibly vulnerable to displacement at a moment's notice.

CIM is using the federal funds received from Freddie Mac to finance predatory behavior in an affordable community that African immigrants call home. In other words, Freddie Mac is using taxpayer money to fund the displacement of working class Black residents. This is unequivocally antithetical to Freddie Mac's goal of preserving affordable and stable housing and to remedy this situation, we request that Freddie Mac: (1) conduct an immediate investigation into CIM, (2) refuse to fund any future CIM projects, and (3) consider making CIM's Freddie Mac mortgage loan immediately payable. At your earliest convenience, we request and would greatly appreciate a meeting to discuss these issues further.

Thank you for considering.

Sincerely,



Sosseh Prom
State Policy Manager
African Communities Together
sosseh@africans.us
(202) 834-3595

NOTICE OF MATERIAL NONCOMPLIANCE FOR NONPAYMENT OF RENT
5-DAY NOTICE TO PAY RENT OR, ALTERNATIVELY, TO TERMINATE LEASE AND VACATE PREMISES

Date: 7/14/2022

To: [REDACTED] and all occupants:
4921 Seminary Road [REDACTED]
Alexandria, VA 22311

You are hereby notified that you are in material noncompliance with your lease due to your failure to pay rent when due. The total amount of rent due and owed by you at this time is \$5,940.00 as itemized as follows:

DATE	DESCRIPTION OF CHARGE/PAYMENT	AMOUNT
7/14/2022	Describe the Charge / Payment (i.e., Rent, Late Fee, Utility, Payment)	5,940.00
	TOTAL	5,940.00

We intend to terminate your lease unless within five (5) days from the date of service of this notice you pay rent in the full amount as noted above. All such payments must be made by you in certified funds or by money order. In the event you fail to pay rent in full within five (5) days from the date of service of this notice your lease shall terminate. If your lease is terminated, you must vacate leased premises immediately. However, if the premises is located on or within a "covered property" as that term is defined by section 4024(a) of the CARES Act, then in the event your lease is terminated you shall be required to vacate the premises 30 days from the effective date of service of this notice. Should your lease terminate and you remain past the date you are required to vacate, we reserve the right to proceed to obtain possession as provided in § 55.1-1251 by initiating an action for unlawful detainer against you to regain possession of our property. We reserve the right to simultaneously seek judgment for possession as well as for all unpaid rent, damages and any other amounts due as well as an award for our reasonable attorney's fees and court costs as part of any action we file for possession as provided in § 55.1-1251.

Any partial payment of rent made before or after a judgment of possession is ordered will not prevent your landlord from taking action to evict you. However, full payment of all amounts you owe the landlord, including all rent as contracted for in the rental agreement that is owed to the landlord as of the date payment is made, as well as any damages, money judgment, award of attorney fees, and court costs made at least 48 hours before the scheduled eviction will cause the eviction to be cancelled, unless there are bases for the entry of an order of possession other than nonpayment of rent stated in the unlawful detainer action filed by the landlord. Nothing herein shall be construed by a court of law or otherwise as requiring your landlord to provide you subsequent written notice to evict you from the leased premises. This notice and our rights hereunder are not affected or waived by the issuance of a separate notice that is or may be served upon you regardless of if such notice is served before, with or after this notice and or regardless of if such notice's termination date is effective prior to or after the termination date herein. Additionally, any items of personal property left within the leased premises or on any other portion of our property after the lease has terminated and delivery of possession has occurred will be considered abandoned and may be disposed of by our office as we see fit or appropriate within the 24-hour period thereafter without further notice to you.

Michelle Matthews
Property Manager

CERTIFICATE OF SERVICE

I certify that this Notice was served as follows on the Date of Service listed below:

- PERSONAL SERVICE (handed to the tenant); or being unable to personally serve, a copy was delivered in the following manner:
- Delivered to a family member age 16 or older. List name, age of recipient, and relation of recipient to party named above: _____
- Posted on front door or such other door as appears to be the main entrance of the leased premises. A copy was also sent by regular mail on the Date of Service listed below.

Date of Service: 7/14/2022

Signature: Michelle Matthews

Printed Name/Title: Property Manager

VIRGINIA:

IN THE GENERAL DISTRICT COURT FOR ALEXANDRIA CITY

4921 Seminary Rd (VA) Owner, LLC
dba Ashlawn at Southern Towers
Plaintiff,

v.

AND ALL OCCUPANTS
Defendant(s).

Case No.:

Property 4921 Seminary Road

Address: Alexandria, VA 22311

UNLAWFUL DETAINER AFFIDAVIT FOR DEFAULT JUDGMENT VA. CODE §8.01-28 AND
SERVICEMEMBERS CIVIL RELIEF ACT AFFIDAVIT VA CODE §8.01-15.2

The undersigned pursuant to Virginia Code §8.01-4.3 hereby declares and affirms the following is true and correct under penalty of perjury:

1. I am an agent of Plaintiff who serves as a custodian of the business records and within that capacity have access to and am familiar with Defendant(s)'s lease agreement, accounting records and all other documents information related to Defendant(s)'s tenancy which I reviewed prior to executing this Affidavit.
2. Plaintiff is the owner/ management agent of the property ("Property") described within the Summons for Unlawful Detainer ("SUD"). Defendant(s) is /are the tenant(s) of said Property subject to the terms of a written rental agreement ("Lease") a true and accurate copy of which will be introduced into evidence on the date judgment is entered.
3. The Lease was subsequently terminated by Plaintiff due to the following:
 - a. **Nonpayment of Rent.** Defendant(s) failed to pay rent when due and as a result, was / were served with written notice of material noncompliance in accordance with the applicable law the contents of which informed Defendant(s) of the nonpayment default, provided a period of five (5) days to cure said default or else terminate the Leacs and contained all other legally required statements and disclosures. A true and accurate copy of the referenced notice is attached hereto and made part of this SUD. Defendant(s) failed to pay rent in full within five (5) days of being served with said notice. Should no additional payments be made prior to the initial return, Plaintiff estimates Defendant(s) shall owe the following as of the date of said hearing:

RENT: \$ 9265.00
LATE FEES: \$ 175.00
 - b. **Nonrenewal/Termination of Lease.** The Lease was terminated upon the expiration of the term after one party served the other with written notice of termination / vacate at least thirty (30) days in advance of the expiration of the term then in effect, or if a greater notice period was required under the Lease then in accordance with that notice period in accordance with § 55.1-1253 of the Virginia Code. A true and accurate copy of the referenced notice is attached hereto and made part of this SUD;
 - c. **Material Noncompliance/Breach of Lease.** The Lease was terminated for material noncompliance and or violation of § 55.1-1227 of the Virginia Code materially affecting health and safety occurred. Defendant(s) was/were served with legally sufficient notice specifying the acts and omissions of the breach in accordance with the applicable law which notified Defendant(s) that the Lease would terminate on a date not less than thirty (30) days after receipt of said notice, and if the breach was remediable the notice further stated that if the breach was not remedied in 21 days the Lease would terminate as provided in the notice, however, to the extent such written notice was previously issued on Defendant(s) for a similar violation that provided 21 days to remedy which was remedied and hereafter a subsequent breach of like nature occurred then the opportunity to cure was not so offered pursuant to § 55.1-1245(E) of the Virginia Code. A true and accurate copy of the referenced notice is attached nd made part of this SUD; or
 - d. **Criminal or Willful Act .** The Lease was terminated immediately based on a breach which involved or constituted a non-remediable criminal or willful act and that posed a threat to health or safety pursuant to § 55.1-1245(C) of the Virginia Code.
4. Defendant(s) remain in possession of the Property at the present time without Plaintiff's consent following the termination of the Lease.
5. Prior to filing or maintaining this action Plaintiff provided all Defendant(s) who are tenant(s) in this action with the statement of tenant rights and responsibilities as required under § 55.1-1204 (H) of the Virginia Code.
6. Defendant(s) is/are in military service; is/are not in military service.

This statement is based on the following facts: Defendant(s) did did not make any representations to Plaintiff as part the rental rental application or otherwise during the course of the tenancy to cause Plaintiff to believe Defendant(s) is/are in military service as defined by the Servicemember Civil Relief Act.

Date: 08/21/2022

Signature: M. Matthews PM
Print Name: Michelle Matthews
Title: Property Manager